

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 6 - Property, Plant and Equipment

Plant and equipment is carried at cost. Listed below are the major classes of plant and equipment as of December 31, 2016 and 2015:

	Asset	
	2016	2015
Motor Vehicles		
Other Work Equipment		
Buildings		
Furniture and Office Equipment		
Digital Electronic Switching		
Circuit Equipment		
Aerial Cable		
Aerial Cable - Fiber		
Buried Cable		
Buried Cable - Fiber		
Other Headend Equipment		
Tower and Antennas		
Point to Point Fiber and Equipment		
Cable Distribution System		
Cable Service Drops		
RTEC Telephone NIDs		
Customer Premises Equipment		
Leased CPE		
Totals		

Depreciation of the public utility plant is computed at composite rates on the average cost as prescribed by the PUCO. Depreciation of the RTEC distribution system and equipment and nonregulated plant and equipment is computed by accelerated methods over estimated useful lives.

Note 7 - Other Investments

The Ridgeville Telephone Company has an [REDACTED] investment in common stock of Com Net, Inc. which is a consortium of nineteen independent telephone companies in northwest Ohio whose goal is to formulate a network to provide state of the art telephone service to their subscribers.

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 7 - Other Investments (continued)

The Company has obtained [REDACTED] shares of cumulative five percent preferred stock in Com Net, Inc. which is valued at \$ [REDACTED]. As of December 31, 2016 and 2015, the preferred dividend receivable was [REDACTED] respectively.

At December 31, the investment balances are as follows:

	Investment	
	2016	2015
Income from Equity Investment (BNG)	[REDACTED]	[REDACTED]
Com Net, Inc. - Common		
Com Net, Inc. - Preferred		
Total		

Note 8 - Income Taxes

The Company and its subsidiary file a consolidated Federal income tax return. Deferred Federal income taxes are provided on timing difference between financial statement and income tax reporting, due to the use of accelerated methods of depreciation for income tax purposes. Current and deferred tax expense is allocated between The Ridgeville Telephone Company and RTEC Communications, Inc. based upon the annual results of operations.

As of December 31, 2016 there are no tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company files income tax returns in the U.S. federal jurisdiction and local jurisdictions. The Company's U.S. federal income tax returns for the years ended December 31, 2012 and prior are closed and no longer subject to examination.

Note 9 - Lease Commitments

The Company has no significant non-cancellable operating leases.

Note 10 - Common Stock

At both December 31, 2016 and 2015, the Company had [REDACTED] shares of no par common stock, with a stated value of [REDACTED] per share, authorized and issued. At December 31, 2016 and December 31, 2015, 16,500 shares were outstanding, with no shares held in treasury.

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 11 - Cash Flows Information

For purposes of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as cash, working cash advances, and temporary investments consisting of certificates of deposits and money market funds. Cash paid in 2016 for interest was [REDACTED] and for Federal income tax was [REDACTED]. Cash paid in 2015 for interest was [REDACTED] and for Federal income tax was [REDACTED].

Note 12 - Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of uninsured cash balances or balances in excess of the Federal Deposit Insurance Corporation's limit. At December 31, 2016 and 2015 this limit per institution was \$250,000 for all accounts. At December 31, 2016 and 2015, the Company's uninsured cash balances totaled [REDACTED] and [REDACTED] respectively.

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

THE RIDGEVILLE TELEPHONE COMPANY
RIDGEVILLE CORNERS, OHIO

BALANCE SHEETS

ASSETS

	December 31,	
	2016	2015
<u>Current Assets:</u>		
Cash		
Telecommunications Accounts Receivable		
Other Accounts Receivable		
Materials and Supplies		
Prepaid Federal Income Tax		
Prepaid NTCA Retirement and Security		
Other Prepaid Expenses		
Total Current Assets		
<u>Other Assets:</u>		
Other Investments		
Investment in Subsidiary		
Investment in Nonregulated Activities		
NISC Patronage Receivable		
Due from Subsidiary		
Total Other Assets		
<u>Telephone Plant:</u>		
Land		
Plant and Equipment		
Accumulated Depreciation		
Total Net Telephone Plant		
<u>Total Assets</u>		

See Independent Accountants' Review Report
Schedule #1
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2016	2015
<u>Current Liabilities:</u>		
Accounts Payable		
Customer Deposits		
Accrued Federal Income Tax		
Total Current Liabilities		
<u>Other Liabilities:</u>		
Deferred Federal Income Taxes		
Total Other Liabilities		
<u>Stockholders' Equity:</u>		
Common Stock		
Premium on Common Stock		
Retained Earnings		
Less: Cost of Treasury Stock		
Total Stockholders' Equity		
<u>Total Liabilities and Stockholders' Equity</u>		

See Independent Accountants' Review Report
Schedule #1
(concluded)

THE RIDGEVILLE TELEPHONE COMPANY
RIDGEVILLE CORNERS, OHIO

INCOME STATEMENTS

For the Years Ended
December 31,

2016

2015

Operating Revenue:

Local Voice Network Service Revenue
Voice Network Access Revenue
LD Network Service Revenue
Billing and Collection Revenue
DSL Revenue
Miscellaneous Revenue
Uncollectible Revenue
Total Operating Revenue

Operating Expense:

Plant Specific Operations Expense
Plant Nonspecific Operations Expense
Depreciation Expense
Customer Operations Expense
Corporate Operations Expense
Total Operating Expense
Operating Income before Taxes

Operating Taxes:

Federal Income Tax
Provision for Deferred Income Taxes
Other Operating Taxes
Total Operating Taxes
Net Operating Income

Non-operating Income and Expense:

Interest and Dividend Income
Loss on Disposition of Assets
Miscellaneous Income
Total Non-operating Income and Expense
Net Income from Regulated Services

Income from Nonregulated Activities & Subsidiary

Income/(Loss) from Equity Investments

Net Income

See Independent Accountants' Review Report
Schedule #2

THE RIDGEVILLE TELEPHONE COMPANY
RIDGEVILLE CORNERS, OHIO

STATEMENTS OF RETAINED EARNINGS

For the Years Ended
December 31,

2016

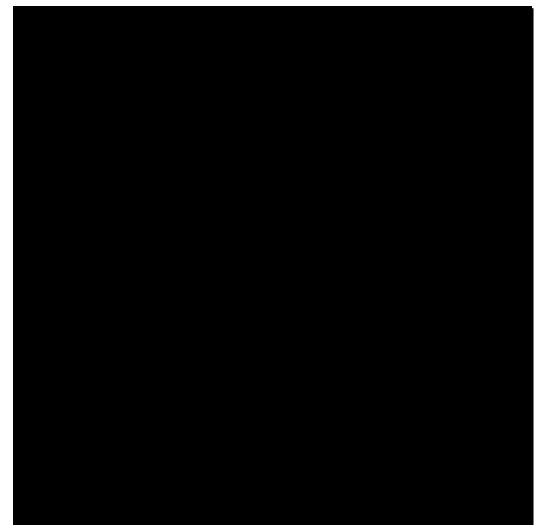
2015

Retained Earnings - Beginning of Year

Net Income

Dividends

Retained Earnings - End of Year



See Independent Accountants' Review Report
Schedule #3

RTEC COMMUNICATIONS, INC.
RIDGEVILLE CORNERS, OHIO

BALANCE SHEETS

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash		
Accounts Receivable		
Materials and Supplies		
Prepaid Expenses		
Total Current Assets		
<u>Plant and Equipment:</u>		
Construction in Process		
Plant and Equipment		
Accumulated Depreciation		
Total Net Plant and Equipment		
<u>Total Assets</u>		
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
<u>Current Liabilities:</u>		
Accounts Payable		
Unearned Revenue		
Customer Deposits		
Other Liabilities		
Total Current Liabilities		
<u>Other Liabilities:</u>		
Due to Parent Company		
Deferred Federal Income Tax		
Total Other Liabilities		
<u>Stockholder's Equity:</u>		
Common Stock		
Retained Earnings		
Total Stockholder's Equity		
<u>Total Liabilities and Stockholder's Equity</u>		

See Independent Accountants' Review Report
Schedule #4

RTEC COMMUNICATIONS, INC.
RIDGEVILLE CORNERS, OHIO

INCOME STATEMENTS

For the Years Ended
December 31,

2016

2015

Operating Revenues:

Cable Service Income
Internet Service Income
Net Equipment Sales
Point to Point Data Services
Total Operating Revenues

Operating Expenses:

Plant Specific Expenses
Depreciation
General -
Network Programming Expense
Customer Service Expense
Legal & Accounting
Management and Administrative Expense
Postage Expense
Insurance Expense
Office Supplies Expense
Miscellaneous Expense
Operating Taxes
Total Operating Expenses

Net Operating Income/(Loss)

Non-operating Income and Expense:

Interest Income
Loss on Disposition of Assets
Total Non-operating Income and Expense

Net Income Before Income Tax

Federal Income Tax Expense
Deferred Federal Income Tax Expense

Net Income

See Independent Accountants' Review Report
Schedule #5

THE RIDGEVILLE TELEPHONE COMPANY
RIDGEVILLE CORNERS, OHIO

NONREGULATED BALANCE SHEETS

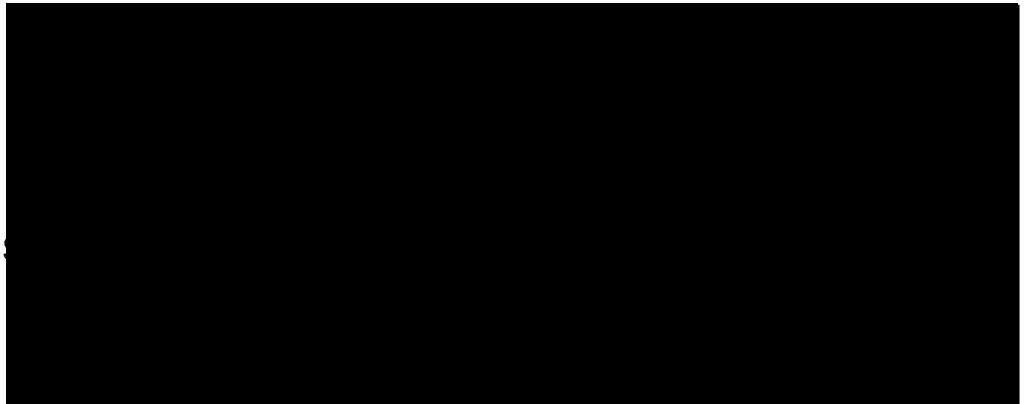
For the Years Ended
December 31,

2016

2015

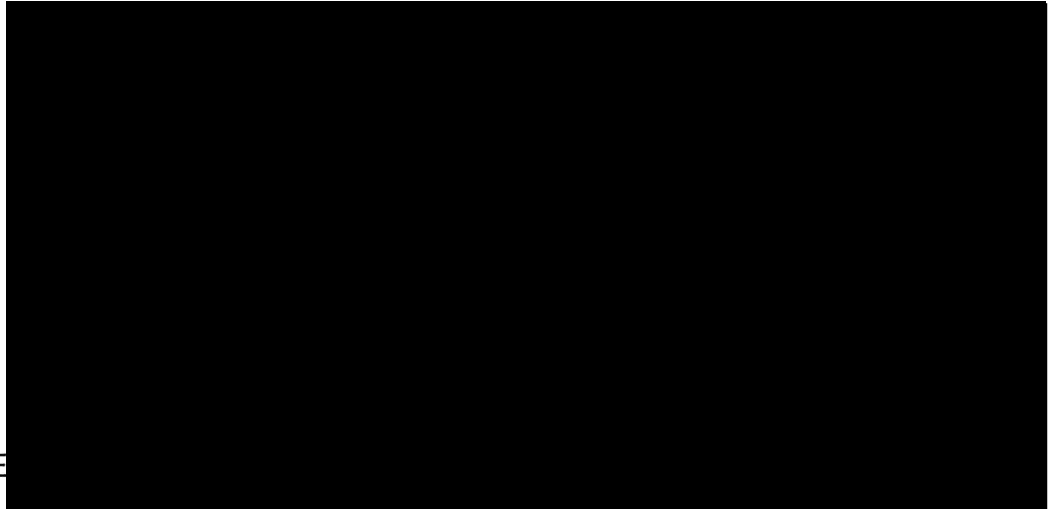
Assets:

Accounts Receivable from
Regulated Business
Other Receivables
Inventory
Telephone and Other
Station Apparatus
Accumulated Depreciation
Total Assets



Liabilities and Equity:

Deferred Federal
Income Tax Payable
Transferred from
Regulated Business
Retained Earnings,
Beginning of Year
Net Income for the Year
Ended December 31
Retained Earnings,
End of Year
Total Liabilities and E



See Independent Accountants' Review Report
Schedule #6

THE RIDGEVILLE TELEPHONE COMPANY
RIDGEVILLE CORNERS, OHIO

NONREGULATED INCOME STATEMENTS

For the Years Ended
December 31,

2016

2015

Income:

DSL Revenue
Lease Income
Telephone, Station Apparatus and
Customer Premises Wiring Sales
Other Income
Cost of Sales
Total Income

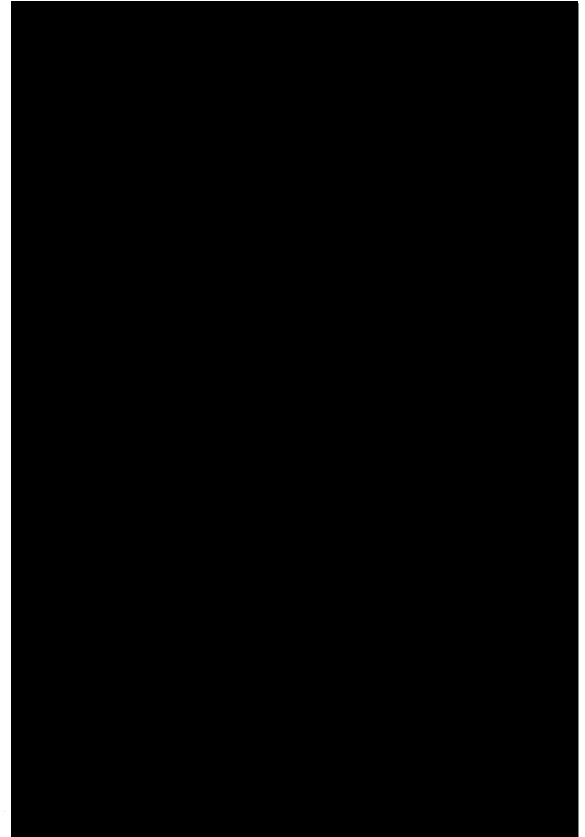
Expense:

Wage Expense
DSL Expense
Ohio Commercial Activities Tax
Total Expense

Net Income Before Income Tax

Federal Income Tax Expense

Net Income



See Independent Accountants' Review Report
Schedule #7